

MEMA Preparedness Conference April 22, 2015

**Sue Baker
State NFIP Coordinator
Maine Floodplain Management Program
(207) 287-8063
sue.baker@maine.gov**



**Maine Department
of Agriculture, Conservation and Forestry**

ABOUT THE NATIONAL FLOOD INSURANCE PROGRAM:

Overview

- Flood Insurance Rate Maps
 - 1% chance in any given year
 - Foundation for local permitting
- Regulations
 - Via local ordinance adoption
 - Standards for floodplain development
- Flood Insurance
 - Federally backed
 - Can be purchased in participating communities
 - If it can be found in private market...very expensive!



National Flood Insurance Program

- Voluntary: approx. 93% participation
- LUPC participates on behalf of unorganized
- Communities adopt standards for development in mapped flood hazard areas
- In exchange, federally backed flood insurance can be sold
- Disaster Assistance
- Mitigation Grants/MEMA

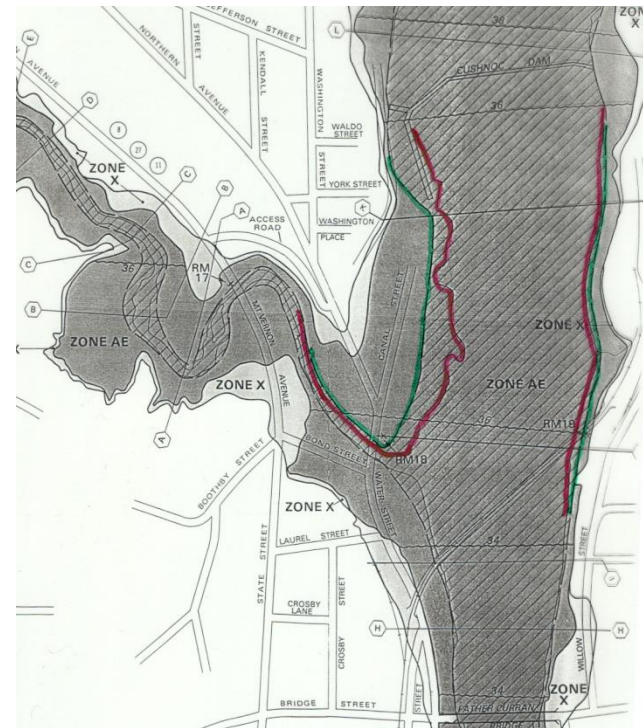
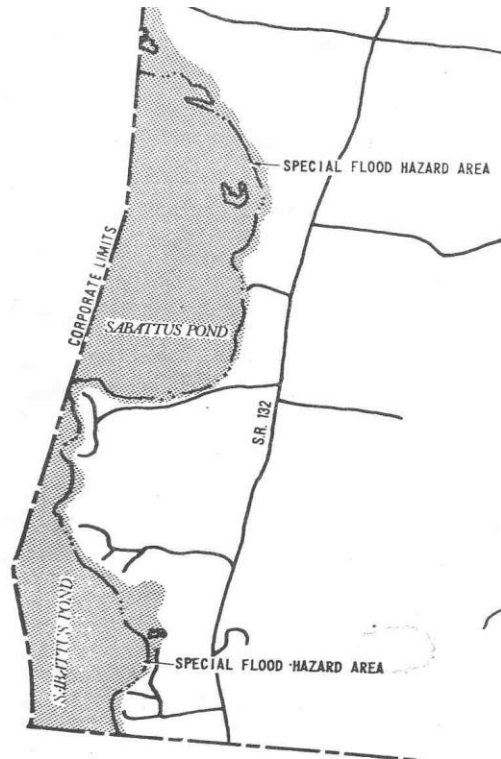


Maine Floodplain Management Program

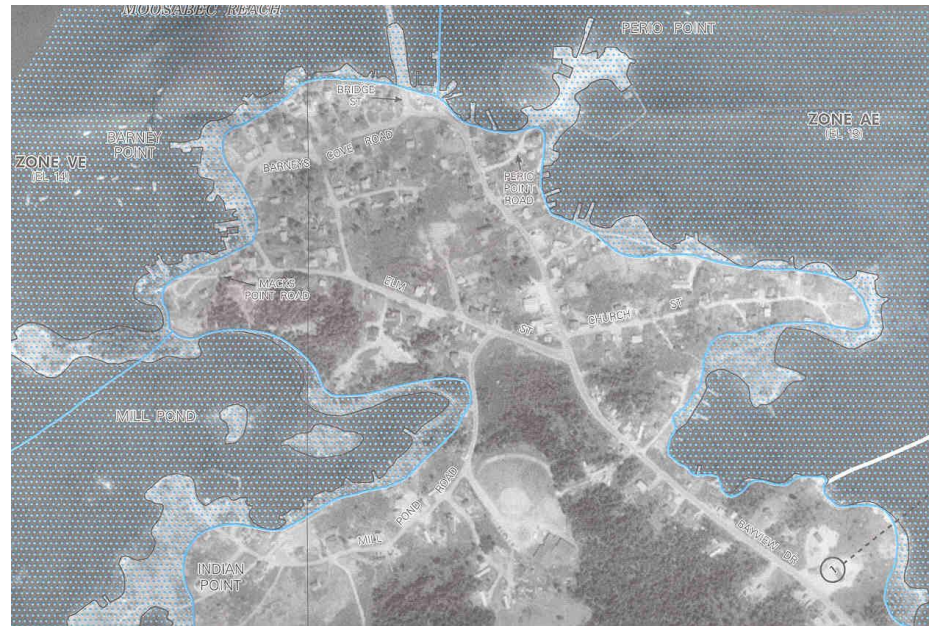
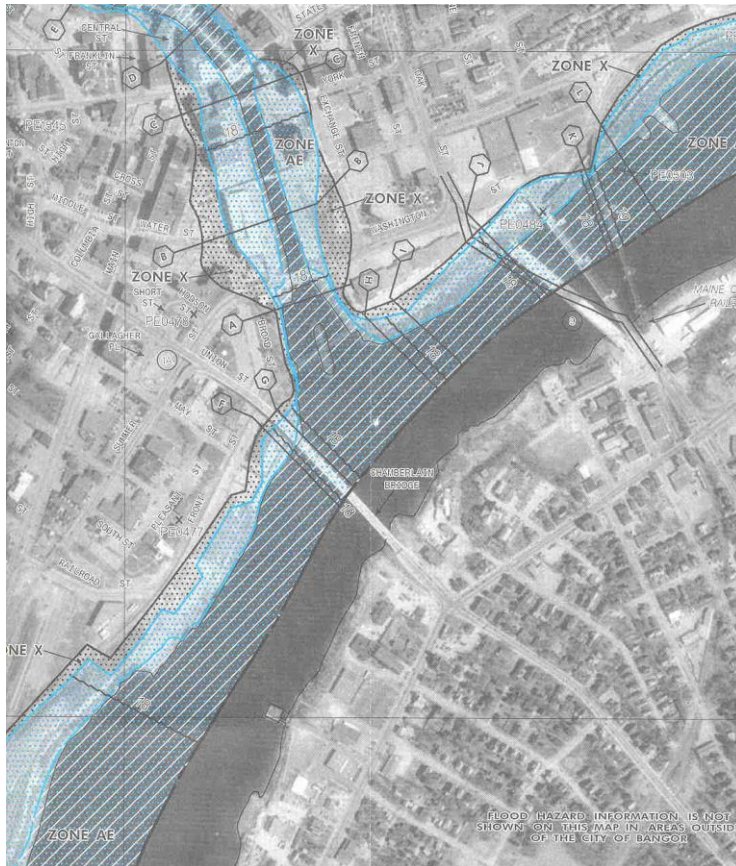
- Help communities adopt and maintain NFIP compliance
- Technical Assistance
- Training: local officials, surveyors, insurance agents
- Public Outreach/informational material
- Coordinate FEMA flood mapping at state level



Flood Insurance rate Maps



Flood Insurance rate Maps



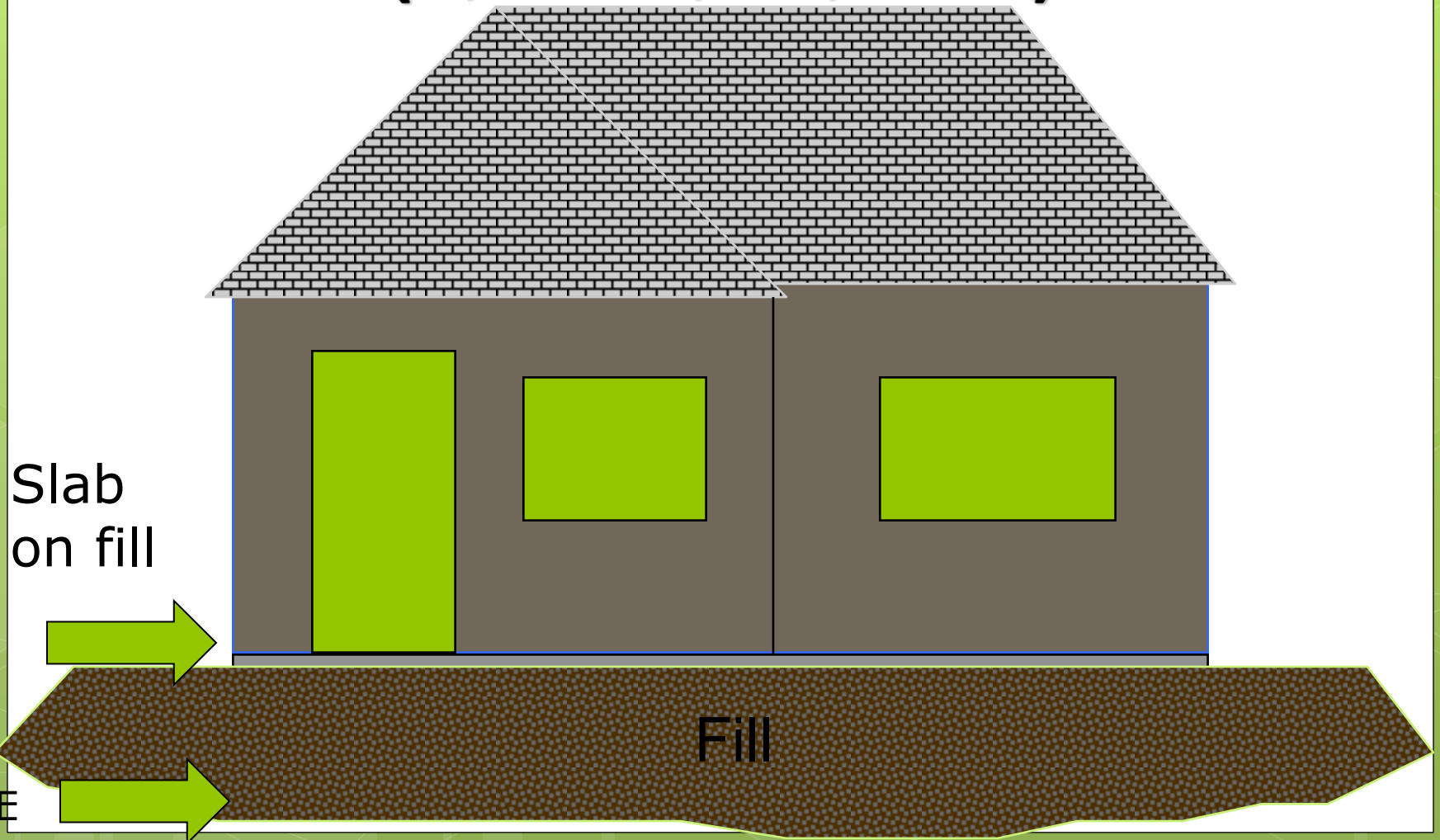
Floodplain Management Regulations

Key regulatory criteria:

1. Permits are required for ALL development in the SFHA
2. Encroachments in the regulatory Floodway are prohibited
3. Lowest floor at 1' above base flood elevation for new construction or substantial improvement (50% or more improvement)
4. Elevation/floodproofing of building utilities
5. Anchoring/elevation to resist flotation/mobilization

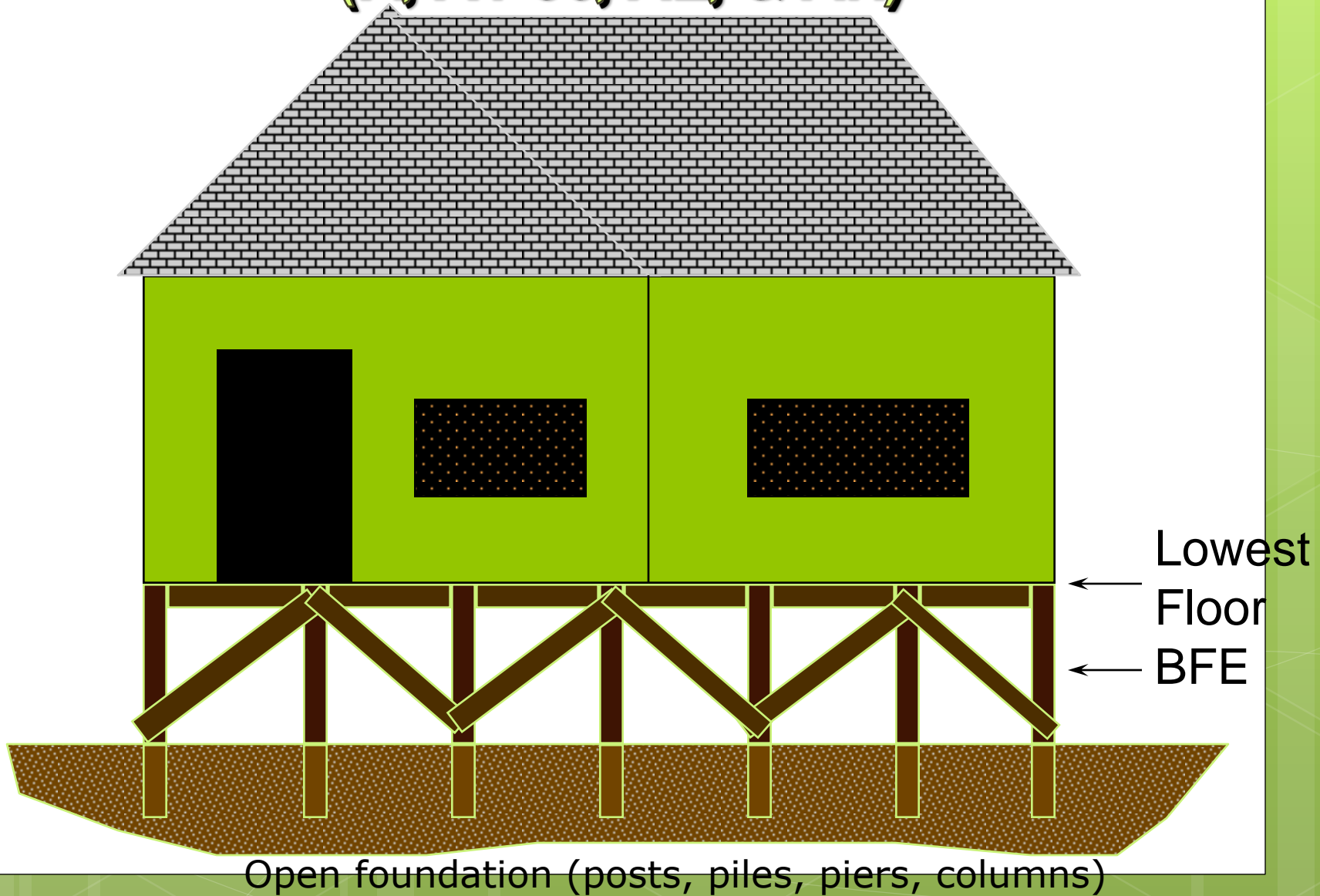


Elevation Options (A, A1-30, AE, & AH)



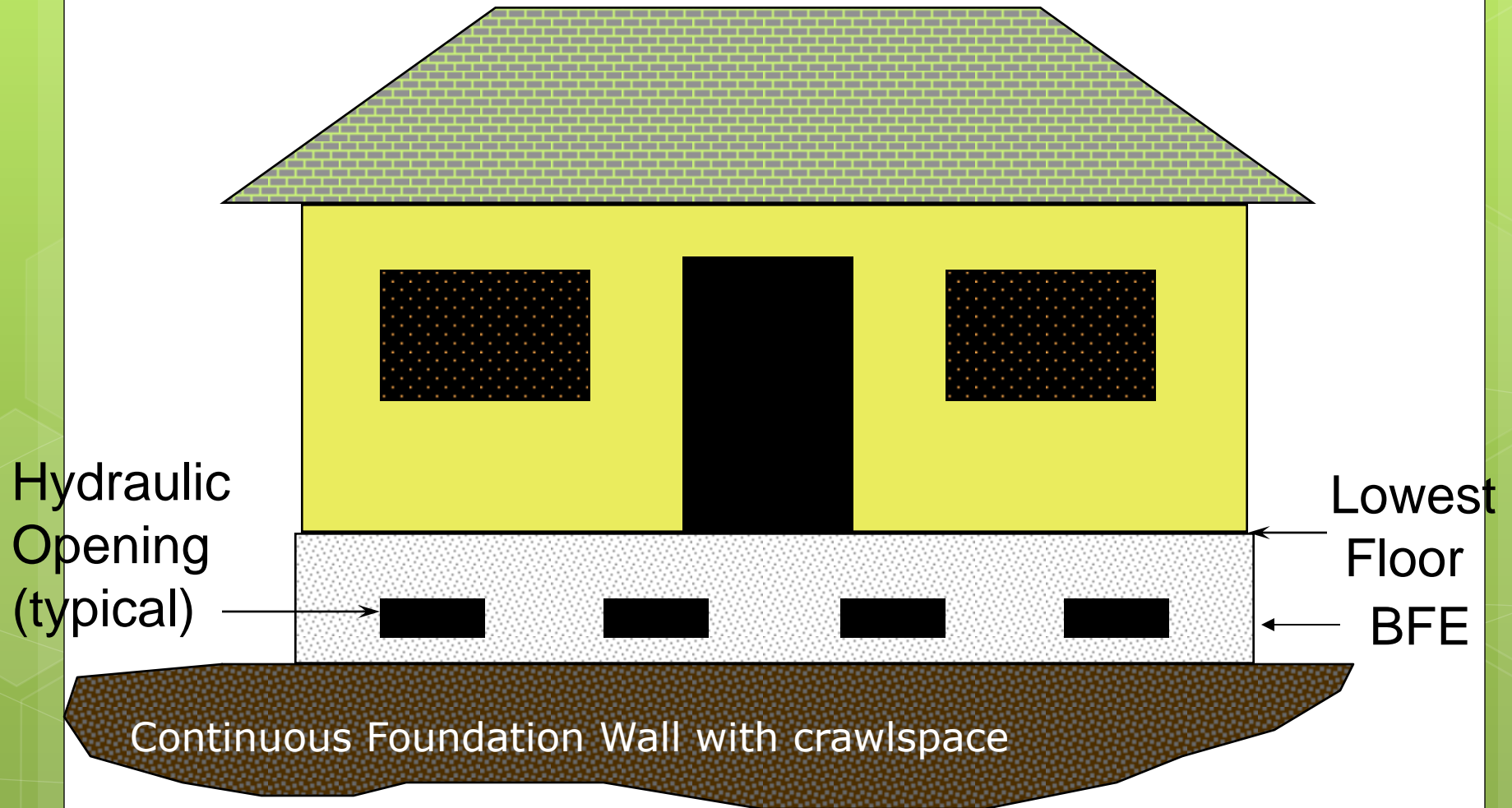


Elevation Options (A, A1-30, AE, & AH)





Elevation Options (A, A1-30, AE, & AH)



Hydraulic Openings/Flood Vents Zone A, A1-30, AE and AH

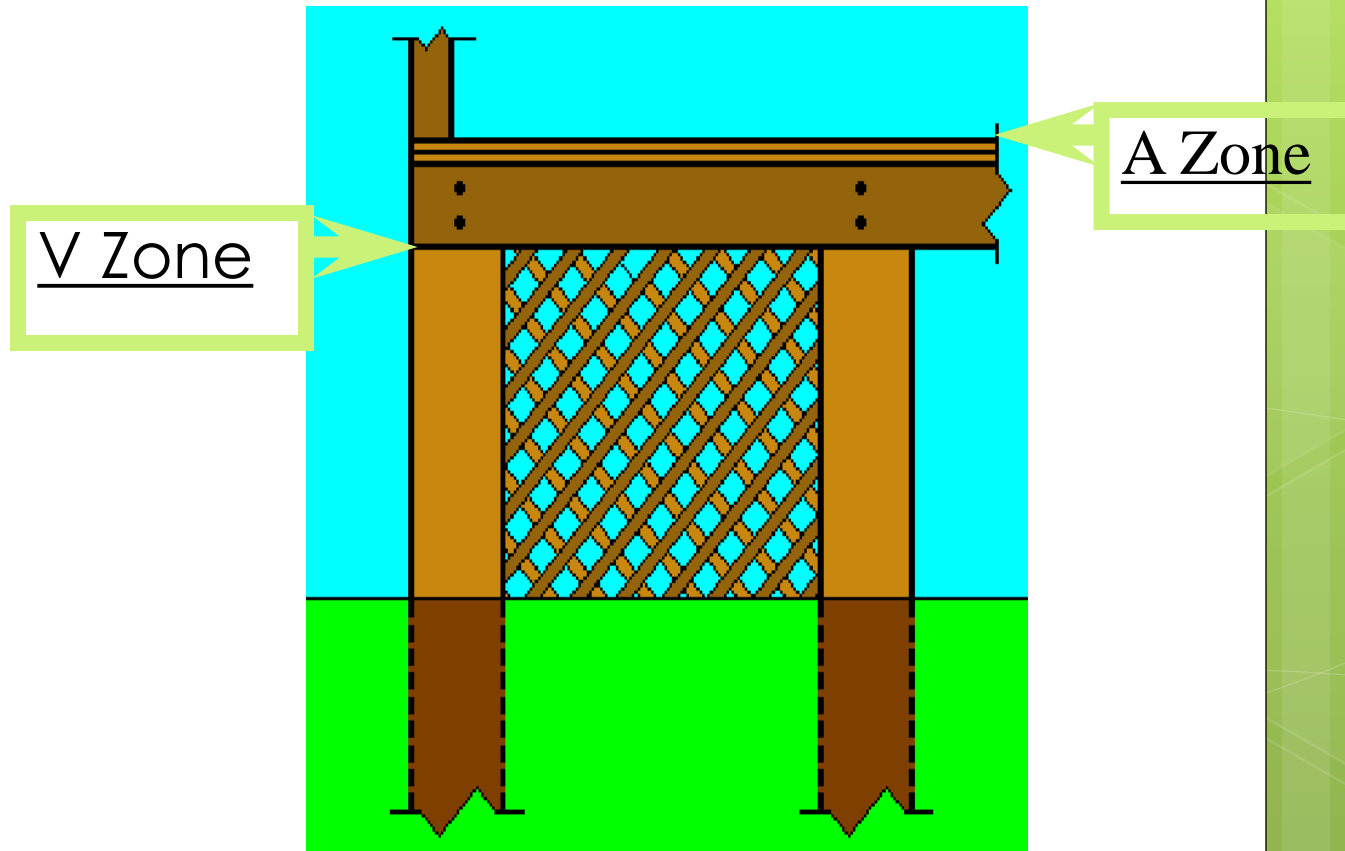
Standards for openings:

- No human intervention
- Meet minimum ordinance criteria 1" for every sq. ft. area) or be designed by P.E.



Elevation (V1-30 and VE)

- The elevation reference level is different
- A Zones: Top of the lowest floor
- V Zones: Bottom of the “lowest horizontal member”



Flood Insurance

- Home/business insurance does NOT cover flood losses
- Flood insurance only mandatory when borrowing from a federally backed lender
- 30 day waiting period
- 5 day waiting period in conjunction with a loan

Typically, there is a 30-day waiting period on new flood insurance policies.

Floods are the #1 natural disaster in the United States.

Flood Insurance Common Myths

- No need for flood insurance because I will get federal disaster aid
- Flood insurance is only available to homeowners
- Can't get insurance because I do/do not live in a flood hazard area

Nearly 20% of flood insurance claims come from moderate-to-low risk areas.

Homeowners insurance typically does not cover flood damage.

In high-risk areas, there is at least a 1 in 4 chance of flooding during a 30-year mortgage.

Flood Insurance It's Complicated!

FLOOD INSURANCE FOR BUSINESS: IMPACTS OF RECENT LEGISLATION >>



The National Flood Insurance Program (NFIP) is in the process of implementing reforms required by the Homeowner Flood Insurance Affordability Act of 2014 and the Biggert-Waters Flood Insurance Reform Act of 2012 (Biggert-Waters). The 2014 law repeals or modifies some provisions of Biggert-Waters. However, it maintains the requirement that flood insurance rates for business properties in high-risk areas reflect true risk. This means that the subsidized rates that previously applied to some older business buildings will continue to be phased out. This fact sheet provides an overview of the changes business owners should expect, including a one-time refund for some policyholders.

PHASING OUT FLOOD INSURANCE SUBSIDIES

A **flood zone** is a geographical area shown on a Flood Hazard Boundary Map or a Flood Insurance Rate Map (FIRM) that reflects the severity or type of flooding in the area. Prior to Biggert-Waters, many older business buildings in Special Flood Hazard Areas and Zone D, constructed before the effective date of the community's first FIRM and never substantially damaged or improved, were eligible for subsidized rates. On October 1, 2013, the subsidized rates for these pre-FIRM buildings began to phase out. At renewal, non-residential policyholders received a 25 percent rate increase. As required by both the 2012 and 2014 laws, the 25 percent rate increases are set to continue until rates reflect the property's true risk.

However, a provision of the 2014 law temporarily slows that rate of increase. Currently, business properties and other non-residential buildings such as schools, churches, hospitals, and apartment buildings are included within a single non-residential policy rating class. The 2014 law caps increases for these other buildings at 18 percent a year. Until FEMA determines how best to identify and separately classify businesses, all non-residential properties—including businesses—will receive no more than an 18 percent annual increase starting October 1, 2014.

From 2008 to 2012, the average National Flood Insurance Program (NFIP) commercial flood claim was more than \$87,000. Flood insurance continues to be an important safeguard and financial planning tool for business continuity and recovery.

HOW CHANGES TO SUBSIDIZED RATES AFFECT BUSINESS BUILDINGS IN HIGH-RISK AREAS¹

| POLICY TYPE | IMPACT ON RATES |
|---|--|
| Policies for post-FIRM buildings, constructed in compliance with NFIP standards | Already pay full-risk rates. |
| Existing policies for pre-FIRM business buildings | Policies can be renewed at subsidized rates. When FEMA is able to separate businesses from other properties, future rates will increase by 25 percent per year until reaching full-risk rates. |
| Newly written policies for pre-FIRM business buildings or for newly purchased pre-FIRM buildings | Policies can be issued and renewed at subsidized rates. When FEMA is able to separate businesses from other properties, future rates will increase by 25 percent per year until reaching full-risk rates. |
| Policies for pre-FIRM buildings re-issued after a lapse | Policies that lapsed due to a late renewal payment (received after the 30-day grace period but less than 90 days after expiration) can be reissued and renewed at subsidized rates. When FEMA is able to separate businesses from other properties, future rates will increase by 25 percent per year until reaching full-risk rates. Also note that in the future, the exception allowing policies to be issued using subsidized rates after a lapse will only apply to policies that lapsed because coverage was no longer required by the lender (e.g., the mortgage was paid off). The bottom line: Don't let a policy lapse. It could cost you more when you reinstate it. |
| Policies for business buildings in moderate- to low-risk areas | Already pay full-risk rates. |

¹ Shown on the FIRM as a flood zone beginning with the letter "A" or "V"; in addition, this affects pre-FIRM properties in Zone D.

HFIAA 2014 Fact sheets



HOW RECENT LEGISLATIVE CHANGES AFFECT FLOOD INSURANCE >>



The National Flood Insurance Program (NFIP) is in the process of implementing Congressionally mandated reforms required by the Homeowner Flood Insurance Affordability Act of 2014 that repeal and modify the Biggert-Waters Flood Insurance Reform Act of 2012 (BW-12). This fact sheet provides an overview of the changes to flood insurance rates under the NFIP. While the new law is implemented, policyholders are encouraged to maintain and keep their current flood insurance policies. Allowing policies to lapse will leave policyholders unprotected.

Policyholders who have questions about their flood insurance policies should contact their insurance agent.

CHANGES TO FLOOD INSURANCE SUBSIDIES

Several provisions of both the 2012 and 2014 laws apply to older buildings constructed before the effective date of the community's first Flood Insurance Rate Map (FIRM). Such buildings are referred to as "pre-FIRM." Many pre-FIRM buildings located in high-risk flood zones have flood insurance policies with subsidized rates. Most subsidies remain, although they will be phased out over time. The rate of phaseout will depend on the type of policy. The following charts explain how premium rates are affected for different policy types.

PRE-FIRM PRIMARY RESIDENCE POLICIES IN HIGH-RISK AREAS

For Most Pre-FIRM Primary Residences in High-Risk Areas, Subsidized Rates Remain in Effect, but with Newly Required Minimum Increases—and an 18 Percent Increase Limit for Any Individual Policy—Until Premiums Reach Their Full-Risk Rates.¹

| Policy Type | Impact On Rate |
|---|---|
| Existing policies | Policies can be renewed at subsidized rates. ² |
| Newly written policies | Policies can be issued and renewed at subsidized rates. |
| Policies on newly purchased buildings | Policies can be issued and renewed at subsidized rates. |
| Policies re-issued after a lapse³ | Policies for pre-FIRM buildings in high-risk areas that lapsed due to a late renewal payment (received after the 30-day grace period but less than 90 days after expiration) can be reissued and renewed at subsidized rates. |

PRE-FIRM BUILDING POLICIES IN HIGH-RISK AREAS

For Other Pre-FIRM Buildings in High-Risk Areas, Subsidized Rates Continue, but Will Increase More Quickly to Reach Full-Risk Rates.

| Policy Type | Impact On Rate |
|---|--|
| Policies for non-primary residences (secondary or vacation homes or rental properties) | 25% annual increases at policy renewal until premiums reach their full-risk rates. |
| Policies for business buildings | Future 25% annual increases at policy renewal. |
| Policies for Severe Repetitive Loss properties | 25% annual increases at policy renewal for severely or repetitively flooded properties that include 1 to 4 residences. |

¹ Full-risk rates are determined using data from an Elevation Certificate.

² Full-risk rates could be lower than subsidized rates.

³ Buildings with lapsed policies are not eligible for the subsidy unless the lapse was the result of the policy no longer being required to retain flood insurance coverage.

April 1, 2015 Insurance Changes



How April 2015 Program Changes Will Affect Flood Insurance Premiums

The National Flood Insurance Program (NFIP) is in the process of implementing Congressionally mandated reforms required by the Homeowner Flood Insurance Affordability Act of 2014 (HFIAA) that repeal and modify the Biggert-Waters Flood Insurance Reform Act of 2012 (Biggert-Waters). The new law slows some flood insurance rate increases and offers relief to some policyholders who experienced steep flood insurance premium increases in 2013 and early 2014. Flood insurance rates and other charges will be revised for new or existing policies beginning on April 1, 2015. In addition to insurance rates, other changes resulting from Biggert-Waters and HFIAA will be implemented that will affect the total amount a policyholder pays for a flood insurance policy. Highlights of some of those changes follow. For full explanations and guidance, see WYO Bulletin (W-14053) and the Flood Insurance Manual.

The changes taking place in April include an increase in the Reserve Fund Assessment, the implementation of an annual surcharge on all new and renewed policies, an additional deductible option, an increase in the Federal Policy Fee, and rate increases for most policies. Key changes include:

- Implementing annual rate changes that set rates using rate-increase limitations set by HFIAA for individual premiums and rate classes:
 - Limiting increases for individual premiums to 18 percent of premium.
 - Limiting increases for average rate classes to 15 percent.
 - Mandatory increases for certain subsidized policyholders under Biggert-Waters and HFIAA.
- Increasing the Reserve Fund assessments required by Biggert-Waters.
- Implementing annual surcharges required by HFIAA.

www.FloodSmart.gov

www.fema.gov/flood-insurance-reform

www.floodsmart.gov

- How to prepare for a flood
- Assess your risk
- Estimate cost for flood insurance
- Find a local insurance agent
- Links to community based information



Know the risk....

...where you live or work

...build/improve sustainably

...take steps to protect
your investment

